MONARCH MONTESSORI OF DENVER CHARTER

BASIC FINANCIAL STATEMENTS

June 30, 2017

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FINANCIAL SECTION

JOHN CUTLER
& ASSOCIATES

Board of Directors
Monarch Montessori of Denver Charter
Denver, Colorado

INDEPENDENT AUDITORS' REPORT

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and each major fund of the Monarch Montessori of Denver Charter (the School), component unit of the Denver Public School District, as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the School's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Monarch Montessori of Denver Charter as of and for the year ended June 30, 2017, and the respective changes in financial position, thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the budgetary comparison information, schedule of the school's proportionate share, and schedule of the school's contributions on pages 29-31 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

John Cutler & Associates, LLC

October 30, 2017

Monarch Montessori of Denver Charter School
Management's Discussion and Analysis

As management of Monarch Montessori of Denver Charter School (MMDC or the School), we offer readers of Monarch Montessori of Denver Charter School's financial statements our narrative overview and analysis of the financial activities of the School for the fiscal year ended June 30, 2017.

Financial Highlights

The year ended June 30, 2017 is the fifth year of operations for MMDC. As of June 30, 2017, net position decreased by $(620,540) to $2,293,508. This negative balance is the result of the implementation of regulations under the Governmental Accounting Standards Board Statement (GASB) Number 68. Further information about GASB 68 is provided in Note 8 of the financial statements.

The operations of the School are funded primarily by tax revenue received under the Colorado School Finance Act in Per Pupil Revenue. Such revenue for the year was $1,658,105. At the close of the fiscal year, Monarch Montessori of Denver Charter School's governmental funds reported a combined ending fund balance of $1,345,231, a decrease of $(1,880,961) from prior year. This decrease is the result of the activity in the School's Governmental Fund Building Corporation. In 2016-2017 the Building Corporation used 2015-2016 capital contributions to complete the school's new educational facilitiy.

Overview of Financial Statements

This discussion and analysis are intended to serve as an introduction to the School's basic financial statements. The School's basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements.

Government-Wide Financial Statements
The government-wide financial statements are designed to provide readers with a broad overview of School's finances, in a manner similar to a private-sector business.

The statement of net position presents information on all of the School's assets, liabilities, and deferred inflows and outflows, with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the School is improving or deteriorating.

The statement of activities presents information showing how the School's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows.

Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g. uncollected grant expenses and earned but unpaid salary and benefits).

The government-wide statement of activities distinguishes functions/programs of the school supported primarily by Per Pupil Revenue or other revenues passed through from the authorizer (Denver Public Schools). The governmental activities of the School include instruction and supporting services.

Fund Financial Statements
A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The School, like other governmental units or schools, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds. The School has two governmental funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating the School's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the School's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The school adopts annually appropriated budgets for any governmental funds. A budgetary comparison schedule for each governmental fund has been provided herein.

Notes to the Financial Statements
The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. This information is provided in pages 6-28.

Government-Wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of the School's financial position. In the case of Monarch Montessori of Denver Charter School, assets exceeded liabilities resulting in a net position of $2,293,508 in FY 2016-2017. Again, this is directly related to the new pension liability reporting requirement under GASB 68. Of the School's total net position, $68,000 is restricted to comply with Article X, Section 20 of the Colorado Constitution, known as the TABOR Amendment. Accordingly, these funds are not available to satisfy the school's general operating expenses.

Monarch Montessori of Denver Charter School's Net Position
Governmental Activities

	June 30, 2017	June 30, 2016
ASSETS		
Cash	$ 419,590	$ 385,984
Restricted Cash	963,045	3,132,739
Accounts Receivable	86,174	14,529
Prepaid Expenses	76,728	22,441
Capital Assets, Not Depreciated	1,135,000	1,899,517
Capital Assets, Net of Accum Depreciation	10,017,315	7,635,583
Total Assets	**12,697,852**	**13,090,793**
DEFERRED OUTFLOWS OF RESOURCES		
Related to Pensions	834,077	695,109
LIABILITIES		
Accounts Payable	50,550	209,178
Accrued Salaries & Benefits	79,194	87,807
Accrued Interest	28,453	60,969
Deferred Revenue	70,562	-
Noncurrent Liabilities		
Due in One Year	120,000	-
Due in More than One Year	8,695,000	8,815,000
Net Pension Liability	2,061,694	1,527,698
Total Liabilities	**11,105,453**	**10,700,652**
DEFERRED INFLOWS OF RESOURCES		
Related to Pensions	132,968	171,202
NET POSITION		
Investment in Capital Assets	2,428,862	659,131
Restricted for Emergencies	68,000	65,000
Unrestricted	(203,354)	2,189,917
Total Net Position	**$ 2,293,508**	**$ 2,914,048**

The largest portion of the School's assets is in capital assets, at 88% of total assets in 2017.

Monarch Montessori of Denver Charter School's Change in Net Position
Governmental Activities

	June 30, 2017	June 30, 2016
Program Revenue:		
Charges for Services	$ 156,300	$ 59,626
Operating Grants and Contributions	237,033	199,526
Capital Grants and Contributions	59,891	62,038
Total Program Revenue	453,224	321,190
General Revenue:		
Per Pupil Revenue	1,658,105	1,810,493
Mill Levy Revenue	378,221	252,576
Interest	12,297	9,263
Total General Revenue	2,048,623	2,072,332
Special Item: Capital Contribution	-	4,293,512
Total Revenue	2,501,847	6,687,034
Expenses:		
Current:		
Instruction	1,452,707	1,353,517
Supporting Services	1,214,446	1,177,996
Interest and Fiscal Charges	455,234	581,402
Total Expenses	3,122,387	3,112,915
Increase/(Decrease) in Net Position	(620,540)	3,574,119
Net Position, Beginning	**2,914,048**	**(660,071)**
Net Position, Ending	**$ 2,293,508**	**$ 2,914,048**

The largest portion of the School's revenues came from per pupil revenue – 66%, respectively in 2017.

Financial Analysis of the Government's Funds

As noted earlier, the School uses fund accounting to ensure and demonstrate compliance with finance related legal requirements.

Governmental Funds. The focus of the School's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the School's financing requirements. In particular, unassigned fund balance may serve as a useful measure of the School's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the School's General Fund reported an ending fund balance of $453,880, an increase of $128,133 from prior year. As of the end of the current fiscal year, the School's Building Corporation reported an ending fund balance of $891,351, a decrease of $(2,009,094) from prior year. This fund records the activity of the Monarch Montessori of Denver Charter School's Building Corporation, a Colorado non-profit corportation established as a separate legal entity designed to assist the School with the 2015 purchase and improvement of the school's facility. The fund balance consists of remaining funds allocated for further improvements to the facility.

General Fund Budgetary Highlights

The School approves a final general fund budget in May based on enrollment projections for the school year. In October, after enrollment stabilizes, adjustments are made to the budget. At year-end, the school had some variances between its final budgeted and actual activities. Overall, the school recognized $175,448 more revenue than expected and spent $(228,995) less than planned, when compared to the final budget. One budget amendment was made during FY 2016-2017.

Capital Assets & Long-Term Debt

The School has invested in capital assets for the school's newly acquired and improved facility as well as land. Depreciation expenses for capital assets are booked under the Supporting Services of the School's operations. Additional information can be found in Note 4 to the financial statements.

The School has 2015 Charter School Refunding and Improvement Bonds totaling $8,815,000 used to purchase and improve the school's facility. The school is required to make regular lease payments to the Building Corporation for the use of the building. Additional information related to long-term debt can be found in Note 6 to the financial statements.

Economic Factors and Next Year's Budget

The primary factor driving the budget for Monarch Montessori of Denver Charter School is student enrollment. Enrollment for the 2016-2017 school year was 214.00 funded students. This information was analyzed as part of the 2017-2018 budget which is projecting a 206.00 funded student count.

Requests for Information

This financial report is designed to provide a general overview of Monarch Montessori of Denver Charter School's finances for all those with an interest in the School's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the School:

Monarch Montessori of Denver Charter School
4985 Peoria Street
Denver, CO 80239

BASIC FINANCIAL STATEMENTS

MONARCH MONTESSORI OF DENVER CHARTER

STATEMENT OF NET POSITION
As of June 30, 2017

	Governmental Activities	
	2017	2016
ASSETS		
Cash	$ 419,590	$ 385,984
Restricted Cash	963,045	3,132,739
Accounts Receivable	86,174	14,529
Prepaid Expenses	76,728	22,441
Capital Assets, Not Depreciated	1,135,000	1,899,517
Capital Assets, Depreciated, Net of Accumulated Depreciation	10,017,315	7,635,583
TOTAL ASSETS	12,697,852	13,090,793
DEFERRED OUTFLOWS OF RESOURCES		
Related to Pensions	834,077	695,109
LIABILITIES		
Accounts Payable	50,550	209,178
Accrued Salaries and Benefits	79,194	87,807
Accrued Interest	28,453	60,969
Deferred Revenue	70,562	-
Noncurrent Liabilities		
Due in One Year	120,000	-
Due in More than One Year	8,695,000	8,815,000
Net Pension Liability	2,061,694	1,527,698
TOTAL LIABILITIES	11,105,453	10,700,652
DEFERRED INFLOWS OF RESOURCES		
Related to Pensions	132,968	171,202
NET POSITION		
Net Investment in Capital Assets	2,428,862	659,131
Restricted for Emergencies	68,000	65,000
Unrestricted	(203,354)	2,189,917
TOTAL NET POSITION	$ 2,293,508	$ 2,914,048

The accompanying notes are an integral part of the financial statements.

MONARCH MONTESSORI OF DENVER CHARTER

STATEMENT OF ACTIVITIES
Year Ended June 30, 2017

		PROGRAM REVENUES			Net (Expense) Revenue and Change In Net Position	
					Governmental Activities	
FUNCTIONS/PROGRAMS	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	2017	2016
PRIMARY GOVERNMENT						
Governmental Activities						
Instructional	$ 1,452,707	$ 23,515	$ 188,536	$ -	$ (1,240,656)	$ (1,126,734)
Supporting Services	1,214,446	132,785	48,497	59,891	(973,273)	(1,083,589)
Interest and Fiscal Charges	455,234	-	-	-	(455,234)	(581,402)
Total Governmental Activities	$ 3,122,387	$ 156,300	$ 237,033	$ 59,891	(2,669,163)	(2,791,725)
	GENERAL REVENUES					
	Per Pupil Revenue				1,658,105	1,810,493
	Mill Levy Override				378,221	252,576
	Interest				12,297	9,263
	SPECIAL ITEM					
	Capital Contribution				-	4,293,512
	TOTAL GENERAL REVENUES				2,048,623	6,365,844
	CHANGE IN NET POSITION				(620,540)	3,574,119
	NET POSITION, Beginning				2,914,048	(660,071)
	NET POSITION, Ending				$ 2,293,508	$ 2,914,048

The accompanying notes are an integral part of the financial statements.

MONARCH MONTESSORI OF DENVER CHARTER

BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2017

	GENERAL FUND	BUILDING CORPORATION	TOTAL GOVERNMENTAL FUNDS 2017	TOTAL GOVERNMENTAL FUNDS 2016
ASSETS				
Cash	$ 419,590	$ -	$ 419,590	$ 385,984
Restricted Cash and Investments	-	963,045	963,045	3,132,739
Accounts Receivable	86,174	-	86,174	14,529
Prepaid Expenses	76,728	-	76,728	22,441
TOTAL ASSETS	$ 582,492	$ 963,045	$ 1,545,537	$ 3,555,693
LIABILITIES AND FUND BALANCES				
LIABILITIES				
Accounts Payable	$ 29,502	$ 21,048	$ 50,550	$ 209,178
Accrued Salaries and Benefits	79,194	-	79,194	87,807
Deferred Revenue	19,916	50,646	70,562	-
Accrued Interest	-	-	-	32,516
TOTAL LIABILITIES	128,612	71,694	200,306	329,501
FUND BALANCES				
Nonspendable	76,728	-	76,728	22,441
Restricted for Emergencies	68,000	-	68,000	65,000
Restricted for Capital Outlay and Debt Service	-	891,351	891,351	2,900,445
Unassigned	309,152	-	309,152	238,306
TOTAL FUND BALANCES	453,880	891,351	1,345,231	3,226,192
TOTAL LIABILITIES AND FUND BALANCES	$ 582,492	$ 963,045		
Amounts reported for governmental activities in the statement of net position are different because:				
Capital assets used in governmental activities are not financial resources, and therefore, are not reported in the funds.			11,152,315	9,535,100
Long-term liabilities and related assets are not due and payable in the current period and, therefore, are not reported in the funds. This includes bonds payable of ($8,815,000), accrued interest of ($28,453), net pension liability of ($2,061,694), deferred outflows related to pensions of $834,077, and deferred inflows related to pensions of ($132,968).			(10,204,038)	(9,847,244)
Net position of governmental activities			$ 2,293,508	$ 2,914,048

The accompanying notes are an integral part of the financial statements.

MONARCH MONTESSORI OF DENVER CHARTER

STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
Year Ended June 30, 2017

	GENERAL FUND	BUILDING CORPORATION	TOTAL GOVERNMENTAL FUNDS 2017	TOTAL GOVERNMENTAL FUNDS 2016
REVENUES				
Local Sources	$ 2,241,123	$ 12,297	$ 2,253,420	$ 2,164,327
State and Federal Sources	248,427	-	248,427	229,195
TOTAL REVENUES	2,489,550	12,297	2,501,847	2,393,522
EXPENDITURES				
Current				
Instruction	1,222,593	-	1,222,593	1,208,119
Supporting Services	843,963	1,861,018	2,704,981	10,600,441
Bond Issuance Costs	-	-	-	325,333
Debt Service				
Interest	-	455,234	455,234	227,616
TOTAL EXPENDITURES	2,066,556	2,316,252	4,382,808	12,361,509
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	422,994	(2,303,955)	(1,880,961)	(9,967,987)
OTHER FINANCING SOURCES (USES)				
Transfers In	-	294,861	294,861	136
Transfers Out	(294,861)	-	(294,861)	(136)
Proceeds from the Issuance of Debt	-	-	-	8,815,000
Capital Contribution	-	-	-	4,293,512
TOTAL OTHER FINANCING SOURCES (USES)	(294,861)	294,861	-	13,108,512
NET CHANGE IN FUND BALANCES	128,133	(2,009,094)	(1,880,961)	3,140,525
FUND BALANCES	325,747	2,900,445	3,226,192	85,667
FUND BALANCES, Ending	$ 453,880	$ 891,351	$ 1,345,231	$ 3,226,192

The accompanying notes are an integral part of the financial statements.

MONARCH MONTESSORI OF DENVER CHARTER

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES

Year Ended June 30, 2017

Amounts reported for governmental activities in the statement of activities are different because:

Net change in fund balances - total governmental funds	$	(1,880,961)
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlay $1,876,175 exceeded depreciation expense ($258,960) for the current period.		1,617,215
Deferred Charges related to pensions are not recognized in the governmental funds. However, for the government-wide funds those amounts are capitalized and amortized.		(356,794)
Change in net position of governmental activities	$	(620,540)

The accompanying notes are an integral part of the financial statements.

NOTE 1: ***SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES***

The Monarch Montessori of Denver Charter (the "School") was organized pursuant to the Colorado Charter Schools Act to form and operate a charter school within the Denver Public School District (the "District") in the State of Colorado. The School began classes in the fall of 2012.

The accounting policies of the School conform to generally accepted accounting principles as applicable to governmental units. Following is a summary of the more significant policies.

Reporting Entity

The financial reporting entity consists of the School and organizations for which the School is financially accountable. All funds, organizations, institutions, agencies, departments and offices that are not legally separate are part of the School. In addition, any legally separate organizations for which the School is financially accountable are considered part of the reporting entity. Financial accountability exists if the School appoints a voting majority of the organization's governing board and is able to impose its will on the organization, or if the organization provides benefits to, or imposes financial burdens on the School.

The School includes the Monarch Building Corporation (the "Building Corporation") within its reporting entity. The Building Corporation was formed to support and assist the School to perform its function and to carry out its purpose, specifically to assist in the financing of the School's facilities. The Building Corporation is blended into the School's financial statements as a special revenue fund. Separate financial statements are not available for this entity. The School is a component unit of the Denver Public School District.

Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the activities of the School. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by intergovernmental revenues, are reported in a single column.

The statement of activities demonstrates the degree to which the direct expenses of the given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment.

Program revenues include 1) charges to students or others who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Unrestricted intergovernmental revenues not properly included among program revenues are reported instead as general revenues.

NOTE 1: ***SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES*** (Continued)

Government-Wide and Fund Financial Statements (Continued)

Major individual governmental funds are reported in separate columns in the fund financial statements.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collected within the current period or soon enough thereafter to pay liabilities of the current period, not to exceed 60 days. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures are recorded only when payment is due.

Intergovernmental revenues, grants, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the School.

Internally dedicated resources are reported as general revenues rather than as program revenues.

When both restricted and unrestricted resources are available for use, it is the School's policy to use restricted resources first and the unrestricted resources as they are needed.

The School reports the following major governmental fund:

General Fund – This fund is the general operating fund of the School. It is used to account for all financial resources except those required to be accounted for in another fund.

Building Corporation – This fund is used to account for the activities of the Building Corporation.

NOTE 1: ***SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES*** (Continued)

Assets, Liabilities and Fund Balance/Net Position

Receivables – Receivables are reported at their gross value, and, where appropriate, are reduced by the estimated portion that is expected to be uncollectable.

Capital Assets – Capital assets, which include property and equipment, are reported in the governmental activities column in the government-wide financial statements. Capital assets are defined by the School as assets with an initial, individual cost of more than $5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The School has no donated capital assets as of June 30, 2017.

Net Position– The government-wide and business-type fund financial statements utilize a net position presentation. Net position is categorized as investment in capital assets, restricted, and unrestricted.

- Net Investment in Capital Assets is intended to reflect the portion of net position which are associated with non-liquid, capital assets less outstanding capital asset related debt. The net related debt is the debt less the outstanding liquid assets and any associated unamortized cost.

- Restricted Net Position are liquid assets, which have third party limitations on their use.

- Unrestricted Net Position represent assets that do not have any third party limitation on their use. While School management may have categorized and segmented portions for various purposes, the Board of Directors has the unrestricted authority to revisit or alter these managerial decisions.

Fund Balance Classification – The governmental fund financial statements present fund balances based on classifications that comprise a hierarchy that is based primarily on the extent to which the School is bound to honor constraints on the specific purposes for which amounts in the respective governmental funds can be spent. The classifications used in the governmental fund financial statements are as follows:

- Nonspendable – This classification includes amounts that cannot be spent because they are either (a) not in spendable form or (b) are legally or contractually required to be maintained intact. The School classifies Prepaid Expenses as nonspendable as these items are not expected to be converted to cash be converted to cash within the next year.

NOTE 1: ***SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES*** (Continued)

Assets, Liabilities and Fund Balance/Net Position (Continued)

- Restricted – This classification includes amounts for which constraints have been placed on the use of the resources either (a) externally imposed by creditors (such as through a debt covenant), grantors, contributors, or laws or regulations of other governments, or (b) imposed by law through constitutional provisions or enabling legislation. The School has classified Emergency Reserves as being restricted because their use is restricted by State Statute for declared emergencies.

- Committed – This classification includes amounts that can be used only for specific purposes pursuant to constraints imposed by formal action of the Board of Directors. These amounts cannot be used for any other purpose unless the Board of Directors removes or changes the specified use by taking the same type of action (ordinance or resolution) that was employed when the funds were initially committed. This classification also includes contractual obligations to the extent that existing resources have been specifically committed for use in satisfying those contractual requirements. The School did not have any committed resources as of June 30, 2017.

- Unassigned – This classification includes the residual fund balance for the General Fund. The Unassigned classification also includes negative residual fund balance of any other governmental fund that cannot be eliminated by offsetting of Assigned fund balance amounts.

The School would typically use Restricted fund balances first, followed by Committed resources, and then Assigned resources, as appropriate opportunities arise, but reserves the right to selectively spend Unassigned

Risk Management

The School is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; injuries to employees; and natural disasters. The School carries commercial coverage for these risks of loss. Settled claims have not exceeded this insurance in the last three years.

NOTE 2: ***STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY***

Budgets and Budgetary Accounting

A budget is adopted for the General Fund on a basis consistent with generally accepted accounting principles.

School management submits to the Board of Directors a proposed budget for the fiscal year commencing the following July 1. The budget is adopted by the Board of Directors prior to June 30. Expenditures may not legally exceed appropriations at the fund level. Revisions must be approved by the Board of Directors. The budget includes proposed expenditures and the means of financing them. All appropriations lapse at fiscal year-end.

Legal Compliance

The actual expenditures of the General Fund exceeded the budgeted amount by $65,866. This may be a violation of State Statute.

NOTE 3: ***CASH AND INVESTMENTS***

Deposits

A reconciliation of the cash and investment components on the balance sheet to the cash and investments categories in this footnote are as follows:

Deposits	$ 419,590
Investments	963,045
Total Cash and Investments	**$ 1,382,635**

The above amounts are classified in the statement of net position as follows:

Cash and Investments	$ 419,590
Restricted Cash and Investments	963,045
Total	**$ 1,382,635**

NOTE 3: ***CASH AND INVESTMENTS*** (Continued)

Deposits (Continued)

Custodial Credit Risk – Deposits

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The Colorado Public Deposit Protection Act (PDPA) requires that all units of local government deposit cash in eligible public depositories. Eligibility is determined by state regulations. At June 30, 2017, State regulatory commissioners have indicated that all financial institutions holding deposits for the School are eligible public depositories. Amounts on deposit in excess of federal insurance levels must be collateralized by eligible collateral as determined by the PDPA. PDPA allows the financial institution to create a single collateral pool for all public funds held. The pool is to be maintained by another institution, or held in trust for all the uninsured public deposits as a group.

The market value of the collateral must be at least equal to 102% of the uninsured deposits. The School has no policy regarding custodial credit risk for deposits.

At June 30, 2017, the School had deposits with financial institutions with a carrying amount of $419,590. The bank balances with the financial institutions were $457,173. Of this amount, $250,000 was covered by federal depository insurance and $207,173 was covered by collateral held by authorized escrow agents in the financial institution's name (PDPA).

Investments

Interest Rate Risk

The School does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit Risk

Colorado statutes specify in which instruments units of local government may invest, which include:

- Obligations of the United States and certain U.S. Government Agency securities
- General obligation and revenue bonds of U.S. local government entities
- Bankers' acceptances of certain banks
- Local government investment pools
- Written repurchase agreements collateralized by certain authorized securities
- Certain money market funds
- Guaranteed investment contracts

NOTE 3: ***CASH AND INVESTMENTS*** (Continued)

Investments (Continued)

Fair Value

The School categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant observable inputs.

The School had invested $963,045 in the Colorado Surplus Asset Fund Trust (CSAFE). CSAFE is considered to be a 2a7 like investments and is valued using the NAV per share (or its equivalent) of the investments. The 2a-7 like investments do not have any unfunded commitments, redemption restrictions or redemption notice periods. The 2a-7 like investments conform to Colorado Statutes CRS 24-75-601 et. seq. and therefore invests primarily in securities of the United States Treasury, United States Agencies, Primary Dealer Repurchase Agreements, highly rated commercial paper, highly rated corporate bonds, Colorado depositories collateralized at 102% of market value according to the guidelines of the Public Deposit Protection Act. The investments will conform to its Permitted Investments and will meet Standard & Poor's investment guidelines to achieve a AAAm rating, the highest attainable rating for a Local Government Investment Pool.

The School has no policy for managing credit risk or interest rate risk.

Restricted Cash and Investments

Cash and investments in the amount of $963,045 are restricted in the Building Corporation Fund for construction expenses and debt service payments.

NOTE 4: ***CAPITAL ASSETS***

Capital Assets activity for the year ended June 30, 2017 is summarized below.

	Balance June 30, 2016	Additions	Deletions	Balance June 30, 2017
Governmental Activities				
Capital Assets, Not Depreciated				
Land	$ 1,135,000	$ -	$ -	$ 1,135,00
Construction in Progress	764,517	-	764,517	-
Total Capital Assets, Not Depreciated	1,899,517	-	764,517	1,135,000
Capital Assets, Depreciated				
Buildings	7,765,000	2,640,692	-	10,405,692
Accumulated Depreciation				
Buildings	129,417	258,960	-	388,377
Total Capital Assets, Depreciated, Net	7,635,583	2,381,732	-	10,017,315
Total Capital Assets, Net	**$ 9,535,100**	**$ 2,381,732**	**$ 764,517**	**$ 11,152,315**

Depreciation expense is charged to the Supporting Services Activity.

NOTE 5: ***ACCRUED SALARIES AND BENEFITS***

Salaries and retirement benefits of certain contractually employed personnel are paid over a twelve-month period from August to July, but are earned during a school year of nine months. The salaries and benefits earned, but unpaid, as of June 30, 2017, were $79,194 in the General Fund.

NOTE 6: *LONG-TERM DEBT*

Following is a summary of the School's long-term debt transactions for the year ended June 30, 2017:

	Balance June 30, 2016	Additions	Payments	Balance June 30, 2017	Due In One Year
2015 Revenue Bonds	$ 8,815,000	-	-	8,815,000	$ 120,000
Total	**$ 8,815,000**	**$ -**	**$ -**	**$ 8,815,000**	**$ 120,000**

Series 2015 Charter School Refunding and Improvement Bonds

In December 2015, the Colorado Educational and Cultural Facilities Authority issued $8,815,000 Charter School Refunding and Improvement Bonds, Series 2015. Proceeds from the bonds were used to purchase the School's building and provide funding for improvements. The School is required to make equal lease payments to the Building Corporation for the use of the building. The Building Corporation is required to make equal lease payments to the Trustee, for payment of the bonds. Interest accrues at rates ranging from 5.50% to 7.00% per year. The bond matures in May, 2020.

Future debt service requirements are as follows:

Year Ended June 30,	Principal	Interest	Total
2018	$ 120,000	$ 487,750	$ 607,750
2019	130,000	479,350	609,350
2020	8,565,000	471,075	9,036,075
Totals	**$ 8,815,000**	**$ 1,438,175**	**$ 10,253,175**

NOTE 7: *INTERFUND TRANSFERS*

Interfund transfers at June 30, 2017 were as follows:

Transfer In	Transfer Out	Amount
Building Corporation	General Fund	**$ 294,861**

The General Fund transferred funds the Building Corporation for rent payments on the School building.

NOTE 8: ***DEFINED BENEFIT PENSION PLAN***

Summary of Significant Accounting Policies

Pensions. The School participates in the Denver Public Schools Division Trust Fund (DPS Division), a single-employer defined benefit pension fund administered by the Public Employees' Retirement Association of Colorado ("PERA"). The net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, pension expense, information about the fiduciary net position and additions to/deductions from the fiduciary net position of the DPS Division have been determined using the economic resources measurement focus and the accrual basis of accounting. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

General Information about the Pension Plan

Plan description. Eligible employees of the School are provided with pensions through the Denver Public Schools Division Trust Fund (DPS Division)—a single-employer defined benefit pension plan administered by PERA. Plan benefits are specified in Title 24, Article 51 of the Colorado Revised Statutes (C.R.S.), administrative rules set forth at 8 C.C.R. 1502-1, and applicable provisions of the federal Internal Revenue Code. Colorado State law provisions may be amended from time to time by the Colorado General Assembly. PERA issues a publicly available comprehensive annual financial report that can be obtained at www.copera.org/investments/pera-financial-reports.

Benefits provided. PERA provides retirement, disability, and survivor benefits. Retirement benefits are determined by the amount of service credit earned and/or purchased, highest average salary, the benefit structure(s) under which the member retires, the benefit option selected at retirement, and age at retirement. Retirement eligibility is specified in tables set forth at C.R.S. § 24-51-602, 604, 1713, and 1714.

The lifetime retirement benefit for all eligible retiring employees under the Denver Public Schools (DPS) Benefit Structure is the greater of the:

- Highest average salary multiplied by 2.5 percent and then multiplied by years of service credit
- $15 times the first 10 years of service credit plus $20 times service credit over 10 years plus a monthly amount equal to the annuitized member contribution account balance based on life expectancy and other actuarial factors.

NOTE 8: ***DEFINED BENEFIT PENSION PLAN*** (Continued)

General Information about the Pension Plan (Continued)

The lifetime retirement benefit for all eligible retiring employees under the PERA Benefit Structure is the greater of the:

- Highest average salary multiplied by 2.5 percent and then multiplied by years of service credit

- The value of the retiring employee's member contribution account plus a 100 percent match on eligible amounts as of the retirement date. This amount is then annuitized into a monthly benefit based on life expectancy and other actuarial factors.

In all cases the service retirement benefit is limited to 100 percent of highest average salary and also cannot exceed the maximum benefit allowed by federal Internal Revenue Code.

Members may elect to withdraw their member contribution accounts upon termination of employment with all PERA employers; waiving rights to any lifetime retirement benefits earned. If eligible, the member may receive a match of either 50 percent or 100 percent on eligible amounts depending on when contributions were remitted to PERA, the date employment was terminated, whether 5 years of service credit has been obtained and the benefit structure under which contributions were made.

Benefit recipients who elect to receive a lifetime retirement benefit are generally eligible to receive post-retirement cost-of-living adjustments (COLAs), referred to as annual increases in the C.R.S. Benefit recipients under the PERA benefit structure who began eligible employment before January 1, 2007 and all benefit recipients of the DPS benefit structure receive an annual increase of 2 percent, unless PERA has a negative investment year, in which case the annual increase for the next three years is the lesser of 2 percent or the average of the Consumer Price Index for Urban Wage Earners and Clerical Workers (CPI-W) for the prior calendar year.

Benefit recipients under the PERA benefit structure who began eligible employment after January 1, 2007 receive an annual increase of the lesser of 2 percent or the average CPI-W for the prior calendar year, not to exceed 10 percent of PERA's Annual Increase Reserve for the DPS Division.

Disability benefits are available for eligible employees once they reach five years of earned service credit and are determined to meet the definition of disability. The disability benefit amount is based on the retirement benefit formula shown above considering a minimum 20 years of service credit, if deemed disabled.

NOTE 8: ***DEFINED BENEFIT PENSION PLAN*** (Continued)

General Information about the Pension Plan (Continued)

Survivor benefits are determined by several factors, which include the amount of earned service credit, highest average salary of the deceased, the benefit structure(s) under which service credit was obtained, and the qualified survivor(s) who will receive the benefits.

Contributions. Eligible employees and the School are required to contribute to the DPS Division at a rate set by Colorado statute. The contribution requirements are established under C.R.S. § 24-51-401, *et seq*. Eligible employees are required to contribute 8 percent of their PERA-includable salary. The employer contribution requirements are summarized in the table below:

	For the Year Ended December 31, 2016	For the Year Ended December 31, 2017
Employer Contribution Rate	10.15%	10.15%
Amount of Employer Contribution apportioned to the DPS HCTF as specified in C.R.S. § 24-51-208(1)(f)	(1.02%)	(1.02%)
PCOP Offset as specified in C.R.S. § 24-51-412	(15.54%)	(14.56%)
Amortization Equalization Disbursement (AED) as specified in C.R.S. § 24-51-411	4.50%	4.50%
Supplemental Amortization Equalization Disbursement (SAED) as specified in C.R.S. § 24-51-411	4.50%	5.00%
Total Employer Contribution Rate to the DPS Division	2.59%	4.07%

[1]Rates are expressed as a percentage of salary as defined in C.R.S. § 24-51-101(42).

Employer contributions are recognized by the DPS Division in the period in which the compensation becomes payable to the member and the School is statutorily committed to pay the contributions to the DPS Division. Employer contributions recognized by the DPS Division from School were $53,252 for the year ended June 30, 2017.

NOTE 8: ***DEFINED BENEFIT PENSION PLAN*** (Continued)

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At June 30, 2017, the School reported a liability of $2,061,694 for its proportionate share of the net pension liability. The net pension liability was measured as of December 31, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2015. Standard update procedures were used to roll forward the total pension liability to December 31, 2016. The School proportion of the net pension liability was based on the School's contributions to the DPS Division for the calendar year 2015 relative to the total contributions of participating employers to the DPS Division.

At December 31, 2016, the School's proportion was 0.1882%, which was an increase of 0.00042% from its proportion measured as of December 31, 2015.

For the year ended June 30, 2017, the School recognized pension expense of $410,046. At June 30, 2017, the School reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	$ 51,750	$ 4,325
Changes of assumptions or other inputs	$ 303,435	$ 128,643
Net difference between projected and actual earnings on pension plan investments	$ 264,662	N/A
Changes in proportion and differences between contributions recognized and proportionate share of contributions	$ 182,976	N/A
Contributions subsequent to the measurement date	$ 31,254	N/A
Total	$ 834,077	$ 132,968

NOTE 8: ***DEFINED BENEFIT PENSION PLAN*** (Continued)

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Continued)

$31,254 reported as deferred outflows of resources related to pensions, resulting from contributions subsequent to the measurement date, will be recognized as a reduction of the net pension liability in the year ended June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:	
2018	$ 230,208
2019	$ 234,362
2020	$ 150,046
2021	$ 55,232
2022	$7

Actuarial assumptions. The total pension liability in the December 31, 2014 actuarial valuation was determined using the following actuarial assumptions and other inputs:

Price inflation	2.80%
Real wage growth	1.10%
Wage inflation	3.90%
Salary increases, including wage inflation	3.90 – 10.10%
Long-term investment Rate of Return, net of pension plan investment expenses, including price inflation	7.50%
Discount Rate	7.50%
Future post-retirement benefit increases:	
PERA Benefit Structure hired prior to 1/1/07; and DPS Benefit Structure (automatic)	2.00%
PERA Benefit Structure hired after 12/31/06 (ad hoc, substantively automatic)	Financed by the Annual Increase Reserve

NOTE 8: ***DEFINED BENEFIT PENSION PLAN*** (Continued)

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Continued)

Based on the 2016 experience analysis and the October 28, 2016 actuarial assumptions workshop, revised economic and demographic assumptions were adopted by PERA's Board on November 18, 2016 and effective as of December 31, 2016. These revised assumptions shown below were reflected in the roll-forward calculation of the total pension liability from December 31, 2015 to December 31, 2016:

Actuarial cost method	Entry age
Price inflation	2.40%
Real wage growth	1.10%
Wage inflation	3.50%
Salary increases, including wage inflation	3.50 – 9.70%
Long-term investment rate of return, net of pension plan investment expenses, including price inflation	7.25%
Discount rate	7.25%
Post-retirement benefit increases:	
PERA benefit structure hired prior to 1/1/07 and DPS benefit structure (automatic)	2.00%
PERA benefit structure hired after 12/31/06 (ad hoc, substantively automatic)	Financed by the Annual Increase Reserve

Mortality rates used in the December 31, 2015 valuation were based on the RP-2000 Combined Mortality Table for Males or Females, as appropriate, with adjustments for mortality improvements based on a projection of Scale AA to 2020 with Males set back 1 year, and Females set back 2 years. Active member mortality was based upon the same mortality rates but adjusted to 55 percent of the base rate for males and 40 percent of the base rate for females. For disabled retirees, the RP-2000 Disabled Mortality Table (set back 2 years for males and set back 2 years for females) was assumed.

The actuarial assumptions used in the December 31, 2015 valuation were based on the results of an actuarial experience study for the period January 1, 2008 through December 31, 2011, adopted by PERA's Board on November 13, 2012, and an economic assumption study, adopted by PERA's Board on November 15, 2013 and January 17, 2014.

NOTE 8: ***DEFINED BENEFIT PENSION PLAN*** (Continued)

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Continued)

As a result of the 2016 experience analysis and the October 28, 2016, actuarial assumptions workshop, revised economic and demographic actuarial assumptions including withdrawal rates, retirement rates for early reduced and unreduced retirement, disability rates, administrative expense load, and pre- and post-retirement and disability mortality rates were adopted by PERA's Board on November 18, 2016 to more closely reflect PERA's actual experience. As the revised economic and demographic assumptions are effective as of the measurement date, December 31, 2016, these revised assumptions were reflected in the total pension liability roll-forward procedures.

Healthy mortality assumptions for active members reflect the RP-2014 White Collar Employee Mortality Table, a table specifically developed for actively working people. To allow for an appropriate margin of improved mortality prospectively, the mortality rates incorporate a 70 percent factor applied to male rates and a 55 percent factor applied to female rates.

Healthy, post-retirement mortality assumptions reflect the RP-2014 White Collar Healthy Annuitant Mortality Table, adjusted as follows:

- **Males:** Mortality improvement projected to 2018 using the MP-2015 projection scale, a 93 percent factor applied to rates for ages less than 80, a 113 percent factor applied to rates for ages 80 and above, and further adjustments for credibility.

- **Females**: Mortality improvement projected to 2020 using the MP-2015 projection scale, a 68 percent factor applied to rates for ages less than 80, a 106 percent factor applied to rates for ages 80 and above, and further adjustments for credibility.

For disabled retirees, the mortality assumption was changed to reflect 90 percent of the RP-2014 Disabled Retiree Mortality Table.

NOTE 8: ***DEFINED BENEFIT PENSION PLAN*** (Continued)

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Continued)

The long-term expected return on plan assets is reviewed as part of regular experience studies prepared every four or five years for PERA. Recently, this assumption has been reviewed more frequently. The most recent analyses were outlined in presentations to PERA's Board on October 28, 2016. As a result of the October 28, 2016 actuarial assumptions workshop and the November 18, 2016 PERA Board meeting, the economic assumptions changed, effective December 31, 2016, as follows:

- Investment rate of return assumption decreased from 7.50 percent per year, compounded annually, net of investment expenses to 7.25 percent per year, compounded annually, net of investment expenses.

- Price inflation assumption decreased from 2.80 percent per year to 2.40 percent per year.

- Real rate of investment return assumption increased from 4.70 percent per year, net of investment expenses, to 4.85 percent per year, net of investment expenses.

- Wage inflation assumption decreased from 3.90 percent per year to 3.50 percent per year.

Several factors were considered in evaluating the long-term rate of return assumption for the DPS Division, including long-term historical data, estimates inherent in current market data, and a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected return, net of investment expense and inflation) were developed by the investment consultant for each major asset class. These ranges were combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and then adding expected inflation.

NOTE 8: ***DEFINED BENEFIT PENSION PLAN*** (Continued)

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Continued)

As of the November 18, 2016 adoption of the current long-term expected rate of return by the PERA Board, the target allocation and best estimates of geometric real rates of return for each major asset class are summarized in the following table:

Asset Class	**Target Allocation**	**10 Year Expected Geometric Real Rate of Return**
U.S. Equity – Large Cap	21.20%	4.30%
U.S. Equity – Small Cap	7.42%	4.80%
Non U.S. Equity – Developed	18.55%	5.20%
Non U.S. Equity – Emerging	5.83%	5.40%
Core Fixed Income	19.32%	1.20%
High Yield	1.38%	4.30%
Non US Fixed Income - Developed	1.84%	0.60%
Emerging Market Debt	0.46%	3.90%
Core Real Estate	8.50%	4.90%
Opportunity Fund	6.00%	3.80%
Private Equity	8.50%	6.60%
Cash	1.00%	0.20%
Total	100.00%	

In setting the long-term expected rate of return, projections employed to model future returns provide a range of expected long-term returns that, including expected inflation, ultimately support a long-term expected rate of return assumption of 7.25%.

NOTE 8: ***DEFINED BENEFIT PENSION PLAN*** (Continued)

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Continued)

Discount rate. The discount rate used to measure the total pension liability was 7.25 percent. The projection of cash flows used to determine the discount rate applied the actuarial cost method and assumptions shown above. In addition, the following methods and assumptions were used in the projection of cash flows:

- Updated economic and demographic actuarial assumptions adopted by PERA's Board on November 18, 2016.

- Total covered payroll for the initial projection year consists of the covered payroll of the active membership present on the valuation date and the covered payroll of future plan members assumed to be hired during the year. In subsequent projection years, total covered payroll was assumed to increase annually at a rate of 3.50%.

- Employee contributions were assumed to be made at the current member contribution rate. Employee contributions for future plan members were used to reduce the estimated amount of total service costs for future plan members.

- Employer contributions were assumed to be made at rates equal to the fixed statutory rates specified in law and effective as of the measurement date, including current and estimated future AED and SAED, until the Actuarial Value Funding Ratio reaches 103%, at which point, the AED and SAED will each drop 0.50% every year until they are zero. Additionally, estimated employer contributions included reductions for the funding of the AIR and retiree health care benefits. For future plan members, employer contributions were further reduced by the estimated amount of total service costs for future plan members not financed by their member contributions.

- Employer contributions and the amount of total service costs for future plan members were based upon a process used by the plan to estimate future actuarially determined contributions assuming an analogous future plan member growth rate.

NOTE 8: ***DEFINED BENEFIT PENSION PLAN*** (Continued)

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Continued)

- The AIR balance was excluded from the initial fiduciary net position, as, per statute, AIR amounts cannot be used to pay benefits until transferred to either the retirement benefits reserve or the survivor benefits reserve, as appropriate. As the ad hoc post-retirement benefit increases financed by the AIR are defined to have a present value at the long-term expected rate of return on plan investments equal to the amount transferred for their future payment, AIR transfers to the fiduciary net position and the subsequent AIR benefit payments have no impact on the Single Equivalent Interest Rate (SEIR) determination process when the timing of AIR cash flows is not a factor (i.e., the plan's fiduciary net position is not projected to be depleted). When AIR cash flow timing is a factor in the SEIR determination process (i.e., the plan's fiduciary net position is projected to be depleted), AIR transfers to the fiduciary net position and the subsequent AIR benefit payments were estimated and included in the projections.

- Benefit payments and contributions were assumed to be made at the end of the month.

Based on the above assumptions and methods, the DPS Division's fiduciary net position was projected to be available to make all projected future benefit payments of current members. Therefore, the long-term expected rate of return of 7.25 percent on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability. The discount rate determination does not use the municipal bond index rate, and therefore, the discount rate is 7.25 percent.

As of the prior measurement date, the long-term expected rate of return of 7.50 percent on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability. The discount rate determination did not use the municipal bond index rate, and therefore, the discount rate was 7.50 percent, 0.25 percent higher compared to the current measurement date.

NOTE 8: ***DEFINED BENEFIT PENSION PLAN*** (Continued)

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Continued)

Sensitivity of the School's proportionate share of the net pension liability to changes in the discount rate. The following presents the proportionate share of the net pension liability calculated using the discount rate of 7.25 percent, as well as what the proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.25 percent) or 1-percentage-point higher (8.25 percent) than the current rate:

	1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
Proportionate share of the net pension liability	$3,015,379	$2,061,694	$1,274,020

Pension plan fiduciary net position. Detailed information about the DPS Division's fiduciary net position is available in PERA's comprehensive annual financial report which can be obtained at www.copera.org/investments/pera-financial-reports.

Other Post-Employment Benefits

Denver Public Schools Health Care Trust Fund

Plan Description – The School contributes to the Denver Public Schools Health Care Trust Fund ("DPS HCTF"), a cost-sharing multiple-employer healthcare trust administered by PERA. The DPS HCTF benefit provides a health care premium subsidy and health care programs (known as PERACare) to PERA participating benefit recipients and their eligible beneficiaries. Title 24, Article 51, Part 12 of the C.R.S., as amended, establishes the DPS HCTF and sets forth a framework that grants authority to the PERA Board to contract, self-insure and authorize disbursements necessary in order to carry out the purposes of the PERACare program, including the administration of health care subsidies. PERA issues a publicly available comprehensive annual financial report that includes financial statements and required supplementary information for the DPS HCTF. That report can be obtained at www.copera.org/investments/pera-financial-reports.

NOTE 8: ***DEFINED BENEFIT PENSION PLAN*** (Continued)

Other Post-Employment Benefits (Continued)

Funding Policy – The School is required to contribute at a rate of 1.02 percent of PERA-includable salary for all PERA members as set by statute. No member contributions are required. The contribution requirements for the School are established under Title 24, Article 51, Part 4 of the C.R.S., as amended. The apportionment of the contributions to the DPS HCTF is established under Title 24, Article 51, Section 208(1)(f.5) of the C.R.S., as amended. For the years ending June 30, 2017, 2016 and 2015 the School's contributions to the DPS HCTF were $12,478, $12,562 and $11,628, respectively, equal to the required contributions for each year.

Taxable Pension Certificates of Participation (PCOPs)

The District issued Taxable Pension Certificates of Participation (PCOPs) on July 17, 1997 to fully fund the unfunded actuarial accrued liability (UAAL) of the Plan. Full funding of the UALL reduced the employer contribution rate from the full funding rate of 15.75% to the normal cost rate of 4.98%. This rate is based upon actuarially determined contribution requirements, the approval and recommendation of the Plan's Board and approval of the District's Board of Education. The School contributed 10.02%, 9.95% and 9.84%, of covered payroll for the fiscal years ended June 30, 2017, 2016 and 2015, respectively, to the District to cover its obligation relating to the PCOPs.

During the fiscal years ended June 30, 2017, 2016 and 2015 the School made contributions totaling $133,842, $159,683 and $111,560, respectively, to the District towards its PCOPs obligation.

NOTE 9: ***COMMITMENTS AND CONTINGENCIES***

Claims and Judgments

The School participates in a number of federal and state programs that are fully or partially funded by grants received from other governmental units. Expenditures financed by grants are subject to audit by the appropriate grantor government. If expenditures are disallowed due to noncompliance with grant program regulations, the School may be required to reimburse the grantor government. As of June 30, 2017, significant amounts of grant expenditures have not been audited, but the School believes that disallowed expenditures, if any, based on subsequent audits will not have a material effect on the overall financial position of the School.

NOTE 9: ***COMMITMENTS AND CONTINGENCIES*** (Continued)

Tabor Amendment

In November 1992, Colorado voters passed the Tabor Amendment to the State Constitution, which limits state and local government tax powers and imposes spending limitations. Fiscal year 1993 provides the basis for limits in future years to which may be applied allowable increases for inflation and student enrollment. Revenue received in excess of the limitations may be required to be refunded. The School believes it has complied with the Amendment.

As required by the Amendment, the School has established a reserve for emergencies. At June 30, 2017, the reserve of $68,000 was recorded as a restriction of fund balance in the General Fund.

REQUIRED SUPPLEMENTARY INFORMATION

MONARCH MONTESSORI OF DENVER CHARTER

GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
Year Ended June 30, 2017

	2017				
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE Positive (Negative)	2016 ACTUAL
REVENUES					
Local Sources					
Per Pupil Revenue	$ 1,962,044	$ 1,658,009	$ 1,658,105	$ 96	$ 1,810,493
Mill Levy Override	243,719	383,668	378,221	(5,447)	252,576
Tuition and Fees	16,000	12,000	23,515	11,515	59,626
Grants and Donations	15,000	12,020	48,497	36,477	32,369
Other	100	100	132,785	132,685	-
State and Federal Sources					
Grants and Donations	207,328	248,305	248,427	122	229,195
TOTAL REVENUES	2,444,191	2,314,102	2,489,550	175,448	2,384,259
EXPENDITURES					
Salaries	1,083,405	1,008,792	1,171,594	(162,802)	1,172,603
Employee Benefits	520,100	476,708	278,305	198,403	279,089
Purchased Services	706,469	688,553	488,381	200,172	578,353
Supplies and Materials	74,006	78,500	69,116	9,384	74,045
Property	20,000	13,000	55,630	(42,630)	27,903
Other	34,666	29,998	3,530	26,468	12,050
TOTAL EXPENDITURES	2,438,646	2,295,551	2,066,556	228,995	2,144,043
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	5,545	18,551	422,994	404,443	240,216
OTHER FINANCING USES					
Tansfers Out	-	-	(294,861)	(294,861)	(136)
CHANGE IN FUND BALANCES	5,545	18,551	128,133	109,582	240,080
FUND BALANCE, Beginning	85,667	85,667	325,747	240,080	85,667
FUND BALANCE, Ending	$ 91,212	$ 104,218	$ 453,880	$ 349,662	$ 325,747

See the accompanying independent auditors' report.

MONARCH MONTESSORI OF DENVER CHARTER

SCHEDULE OF THE SCHOOL'S PROPORTIONATE SHARE
DENVER PUBLIC SCHOOLS DVISION TRUST FUND

Years Ended December 31,

	2013	2014	2015	2016
School's proportionate share of the Net Pension Liability	0.179%	0.172%	0.188%	0.188%
School's proportionate share of the Net Pension Liability	$ 596,186	$ 1,077,312	$ 2,061,694	$ 2,061,694
School's covered-employee payroll	$ 625,164	$ 1,015,802	$ 1,188,334	$ 1,243,563
School's proportionate share of the Net Pension Liability as a percentage of its covered-employee payroll	95.4%	106.1%	173.5%	165.8%
Plan fiduciary net position as a percentage of the total pension liability	86.3%	83.9%	79.3%	74.1%

See the accompanying independent auditors' report.

MONARCH MONTESSORI OF DENVER CHARTER

SCHEDULE OF THE SCHOOL'S CONTRIBUTIONS
DENVER PUBLIC SCHOOLS DVISION TRUST FUND

Years Ended June 30,

	2014	2015	2016	2017
Statutorily required contributions	$ 42,226	$ 36,761	$ 37,112	$ 53,252
Contributions in relation to the Statutorily required contributions	42,226	36,761	37,112	53,252
Contribution deficiency (excess)	$ -	$ -	$ -	$ -
School's covered-employee payroll	$ 886,475	$ 1,130,854	$ 1,231,565	$ 1,223,382
Contributions as a percentage of covered-employee payroll	4.76%	3.25%	3.01%	4.35%

See the accompanying independent auditors' report.